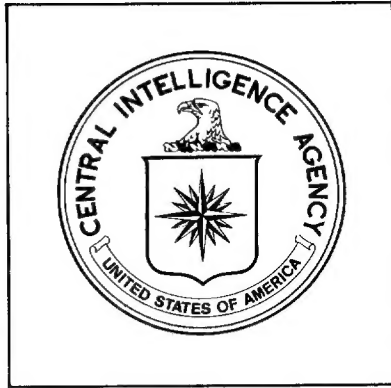


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Developing States Consult on Fall UN
Special Session

The developing states at the UN are continuing their efforts to develop a common position for the 7th special session of the General Assembly on economic development this fall and will take advantage of the Economic and Social Council meeting which begins in New York next week to engage in informal discussions. The developed countries, however, have made little progress toward a unified policy for the special session.

A British official in New York feels that only the EC states among the industrialized nations have strengthened their cohesion, leaving Canada, Australia, New Zealand, Japan, the Scandinavians and the US operating separately. The British were particularly irritated by Australia's objections to using the recent OECD declarations as the basis for establishing a position for the developed countries at the just concluded preparatory conference for the special session. No progress was made at the preparatory conference toward a mutually satisfactory agenda or a final resolution for the fall session.

The developing states have now begun to consider an Indian draft that could serve as a basis for a final resolution at the special session. The draft incorporates many of the radical concepts of the declaration for a new international economic order and of the charter of economic rights and duties of states but is written in somewhat less inflammatory language. The draft is being discussed this week by representatives of the developing states and will probably be modified and extended.

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Such a draft will then be the focus of informal negotiations between the developing countries and the industrialized states throughout the summer session of the UN Economic and Social Council.
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Dutch Labor Scores US Plant Lay-offs

Dutch trade unions' charges that the US is breaking promises it made during F-16 negotiations have been sparked by the current proposal to dismiss 267 employees of the Texas Instruments' Almelo plant near the German border. The unions claim that US government guarantees regarding employment opportunities in such firms was one of the reasons the Hague chose the US fighter.

A Texas Instruments official at the Almelo facility, which makes circuit breakers, capacitors, starting relays, and thermostats, said his plant produces very little that could be used in the F-16 program. Furthermore, the Dutch Economics Ministry has assured him that they realize the lay-offs are necessary to make production viable for the remaining 900 employees.

Although the unions' linkage of the planned dismissals to the F-16 issue is an effort to capture headlines, it will add to the growing anti-American sentiment in The Netherlands. The atmosphere may improve, however, when local contracts for F-16 components eventually result in more jobs. (Confidential No Foreign Dissem)

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Canadian-South Korean Nuclear Reactor Sale
Again Delayed

1 Canadian Foreign Minister MacEachen arrives in Seoul today on an official visit during which he will try to strengthen the safeguards provisions of the draft nuclear sales agreement now under consideration by the two countries. Ottawa is delaying approval of the sale of a nuclear power reactor to Seoul while it reviews further the provisions for bilateral safeguards.

1 Although the commercial aspects of the sale are nearly settled, the Canadian ambassador in Seoul said recently that Ottawa is disturbed by President Pak's recent comments in a press interview that if the US withdraws its nuclear umbrella South Korea would have to begin developing its own nuclear weapons.

2 Seoul had agreed to Canadian demands that it sign the Non-Proliferation Treaty and accept a separate bilateral safeguards agreement. As a result of Pak's statement, however, Ottawa will now require another two to three months to review the safeguards arrangements.


4 It is unlikely that the sale will fall through at this late date. By proceeding cautiously, the Trudeau government probably hopes to mollify vocal domestic critics of its nuclear sales policy and avoid precipitating another controversy such as occurred in the case of a reactor sale to India and its subsequent use of material therefrom to detonate a nuclear explosion.

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Prime Minister Trudeau appeared to come down on the side of encouraging sales of Canadian nuclear equipment and technology--albeit under stringent safeguards--when he recently told the House of Commons that developing countries badly need energy and hence it would be wrong to withhold needed technology. He noted at the same time, however, that Canada was faced with a dilemma: by participating in the dissemination of nuclear technology, Canada also ran the risk of contributing to the proliferation of nuclear weapons.
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EC Foreign Ministers Meet

Significant decisions were made by the EC on Mediterranean policy, aid to Portugal, and an agreement with Canada at Council meetings early this week.

2.
3. The Community finally was able to move ahead with its Mediterranean policy after Italy made concessions on the admission of certain agricultural products to the EC. Italy had been unwilling to move earlier for fear that concessions would weaken the government in the regional elections of June 15. All the provisions of the free-trade agreement with Israel will enter into force on July 1, preferential trade and cooperation accords with the Maghreb can be concluded, and negotiating directives for agreements with Egypt, Jordan, Syria, and Lebanon can be prepared. Negotiations with Spain and Malta were also unblocked. In a separate session with Cypriot officials, progress was made on the EC-Cyprus association accord.

1, 3 The Council reviewed developments in Portugal and agreed to a "community action" program to get substantial financial assistance to Lisbon quickly in order to boost democratic forces there. The EC ambassadors and the Commission are to prepare specific proposals by July 15 on the amount and terms of assistance.

1, 3 Concerning Canada, the Council was "generally in favor" of proposals for a non-preferential agreement to include provisions for industrial and environmental cooperation. The EC-Canada agreement is to serve as a model for arrangements with other developed countries and, the Commission hopes, establish a precedent for EC cooperation arrangements with China, Iran, and the Eastern European states.

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The broad range of topics on the community agenda is illustrated by other matters discussed by the ministers, including:

- Greece's application for membership,
- a declaration on a CSCE summit,
- a cooperation agreement with Sri Lanka,
- implementation of the EC agreement with African, Caribbean, and Pacific countries, and
- the agenda for the heads of government meeting next month.

1, 3

British Foreign Secretary Callaghan, who continued the emphasis his government has been placing on the need for greater North-South cooperation, scored something of an institutional breakthrough when he won a decision on easing beef imports from Africa. France was the only hold out, but accepted a majority vote. While in accord with EC treaty provisions, this has been unusual practice in recent years.

1, 3

The tentative agenda agreed on for the EC meeting of heads-of-government next month in Brussels reflects continuing European preoccupation with economic conditions. The topics include raw materials, energy, and the economic situation of the community. A discussion of monetary and financial questions has also been listed at the suggestion of France, which will have rejoined the EC currency float immediately prior to the meeting. In addition, the leaders are to be prepared for informal discussion of the future of the community in the wake of the UK referendum.

1, 3

The relatively smooth operation of EC meetings during the past six months is due in large part to the chairmanship of Irish Foreign Minister

1, 3

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11 3 | FitzGerald, whom one senior Commission official describes as the most brilliant Council president in many years. Political developments in Italy are expected to preoccupy the incoming Italian chairman and may preclude any comparable performance. (Confidential No Foreign Dissem)

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Friction Between Portuguese and Italian
Communist Leaders

Portuguese Communist Party leader Alvaro Cunhal, in a breach of interparty etiquette, sharply criticized his Italian counterpart in a message congratulating the Italian Communists on their strong showing in the June regional and local elections.

Cunhal's message stated that the Portuguese party had received the news of the Italian Communists' unprecedented gains in the June 15 elections with "joy and satisfaction." He expressed irritation, however, at the views expressed by Italian party chief Berlinguer on Portuguese issues during the election campaign.

The Italian Communists had condemned the banning of Portugal's Christian Democratic Party from the constituent assembly elections in April and expressed disapproval of the continued harassment of the socialist newspaper, Repubblica. Although the Italians did not put all of the blame on the Portuguese Communist Party, criticism of the party clearly was implied.

The Portuguese Communist leader said he hoped the Italian Communists would exercise restraint in the future when making judgments on Portuguese problems, and take into account the effect of such judgments upon Portugal's internal situation. Cunhal implied that election considerations had dictated the Italian party's statements on Portugal, and he was careful to point out that he had withheld his own criticism until after the Italian elections in order not to influence the results to the detriment of the PCI. He added that the Italian Communists could hardly take satisfaction

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in any increase in their vote resulting from the stand they took on Portuguese affairs.

2 | In responding to Cunhal's message, the Italian Communist newspaper L'Unita denied that the party's position was dictated by domestic political considerations. It also defended the party's right to express its views on any international event as a matter of principle. The paper expressed the hope that a "clarification" could be achieved with the PCP on "debatable points."

3 | Although Berlinguer does not want a total break with the Portuguese Communists, he probably welcomes the opportunity to distinguish his party even more clearly from Cunhal's. In fact, Cunhal's criticism will probably be turned to Berlinguer's benefit and used to reinforce the endorsement given the Italian Communists by Portuguese Socialist leader Soares during his visit to Rome two weeks ago. Soares described the Italian Communist Party as "truly democratic" and said that Portugal's problems would be reduced if the party of Cunhal were more like that of Berlinguer. (Confidential)

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